

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

STANADYNE LLC, *et al.*,¹

Debtors.

Chapter 11

Case No. 23-10207 (TMH)

(Jointly Administered)

**OBJECTION OF NAVISTAR, INC. TO NOTICE TO CONTRACT
PARTIES TO POTENTIALLY ASSUMED, ASSIGNED, AND SOLD EXECUTORY
CONTRACTS AND UNEXPIRED LEASES WITH RESERVATION OF RIGHTS**

Navistar, Inc. (“Navistar”), by and through its undersigned counsel and pursuant to Section 365 of title 11, United States Code (the “Bankruptcy Code”), hereby lodges its initial objection and reservation of rights (the “Objection”) with respect to the proposed Cure Cost (as defined therein) set forth in the Debtors’ Notice to Contract Parties to Potentially Assumed, Assigned, and Sold Executory Contracts and Unexpired Lease (Doc. No. 297) (the “Cure Costs Notice”), as follows:

1. Prior to the petition date, Navistar and Debtor Pure Power Technologies, Inc. (the “Debtor”) entered into a business relationship through which Navistar would purchase and the Debtor would supply products consisting of original equipment and service requirements as detailed in the written specifications, drawings, part numbers, design and style designated by Navistar (the “Products”) through intellectual property licensed to the Debtor and use of tooling of Navistar. Navistar additionally returns core of the Products exclusively to the Debtor for refurbishment (the “Core”) and holds warranty claims against the Debtor.

¹ The Debtors in these Chapter 11 Cases, along with the last four digits of each Debtor’s federal tax identification number are: Stanadyne LLC (0378); Pure Power Technologies, Inc. (5202); Stanadyne PPT Holdings, Inc. (2594); and Stanadyne PPT Group Holdings, Inc. (1734) (collectively, the “Debtors”). The Debtors’ headquarters are located at 405 White Street, Jacksonville, North Carolina 28546.

2. To memorialize their relationship and set forth the respective obligations of the parties, the Debtor and Navistar executed the Amended and Restated Supply Agreement (as amended and supplemented, as well as with all integrated agreements relating thereto, the “Supply Agreement”).

3. On May 16, 2023, this Court entered its *Order (I) Approving Bidding Procedures, (II) Scheduling an Auction and a Sale Hearing, (III) Approving the Form and Manner of Notice Thereof, (IV) Establishing Notice and Procedures for the Assumption and Assignment and Sale of Contracts and Leases, and (V) Granting Related Relief* (Doc. No. 276) (the “Bidding Procedures Order”).

4. On May 23, 2023, pursuant to the Bidding Procedures Order, the Debtors served the Cure Costs Notice identifying on Exhibit A contract counterparties of, relevant here, Corinth Core Center (line 48) and Navistar, Inc. (line 153). The proposed cure costs associated with Corinth Core Center is \$0. The proposed cure cost associated with the Supply Agreement with Navistar, Inc. is \$830,141.13.

5. Pursuant to the Supply Agreement, the Cure Costs Notice misidentifies an obligation to Navistar as an obligation to Corinth Core Center. While the Cure Costs Notice indicates that “the Cure Costs listed on Exhibit A hereto do not include any obligations under any customer ‘core’ refund program as such obligations do not constitute Cure Costs and will be addressed separately in connection with the Sale and Stalking Horse Purchase Agreement,” the Corinth Core Center proposed cure cost of \$0 appears to relate solely to Core with Navistar.

6. Navistar does not object to the proposed assumption of the Supply Agreement subject to compliance with the requirements of Section 365 of the Bankruptcy Code. However, Navistar objects to the proposed Cure Costs of \$0 for the misidentified Corinth Core Center.

Navistar also objects to the proposed cure costs of \$830,141.13 under the Supply Agreement. The cure costs under the Supply Agreement are detailed below:

Purchase Orders:	\$10,125.00
Royalties:	\$278,382.69 (est.)
Core Acceptances:	\$2,491,983.50
Open Eligibility:	\$4,3144,295.00
Banked Core:	\$847,700.00
Other:	\$77,565.23
TOTAL:	\$8,020,051.42

7. The Debtor and Navistar have continued their relationship under the Supply Agreement with the reconciliation and setoff process post-petition.² Navistar accordingly holds post-petition claims against the Debtor including, without limitation, warranty, royalty, setoff and recoupment claims under the Supply Agreement and applicable law, and reserves all rights and remedies accordingly.

8. Navistar also objects to the extent the Debtors seek to segregate the Supply Agreement from its integrated agreements with respect to, *inter alia*, tooling and intellectual property. *See Philip Servs. Corp. v. Luntz (In re Philip Servs., Inc.)*, 284 B.R. 547 (Bankr. D. Del. 2002), *aff'd*, 303 B.R. 574 (D. Del. 2003) (“[A]ll of the contracts that comprise an integrated agreement must either be assumed or rejected since they all make up one contract.”)

² After the Petition Date, the Debtors moved for and this Court entered that certain *Final Order Authorizing the Debtors to (I) Maintain and Administer Prepetition Customer Programs, and (II) Pay and Honor Related Prepetition Obligations* (Doc. No. 185) (the “Customer Programs Order”) permitting, among other relief, the continuation of certain Customer Programs (as defined therein) in the ordinary course of business as existed prior to the Petition Date including, without limitation, the Core, warranty and related programs of the type detailed in the Supply Agreement.

9. Navistar reserves its right to object pursuant to Section 365(b)(1)(C) if the ultimate purchaser differs from the stalking horse identified in the *Notice of Filing Executed Stalking Horse Purchase Agreement* (Doc. No. 265).

10. Navistar may supplement this Objection with such additional information or documentation as may be required. Navistar joins objections filed by other parties in interest to the extent that such objections are not inconsistent with this Objection.

Dated: June 12, 2023

/s/ Michael J. Joyce
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